



U.S. Department of Justice

**Stephen J. Murphy
United States Attorney
Eastern District of Michigan**

*Suite 2001
211 West Fort Street
Detroit, Michigan 48226-3277
Fax: (313) 226-3561*

For Immediate Release:

Contact: Susan Plochinski (313) 226-9193

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EVENT: Sentencing

Defendant: Lee P. Wells

FORMER PRESIDENT OF MCA FINANCIAL CORPORATION SENTENCED

Lee P. Wells, 45 years old, of Grosse Pointe Shores, Michigan, the former President and Chief Operating Officer of MCA Financial Corporation, was sentenced today to 5 years' imprisonment based on convictions for conspiracy and mail fraud, announced Stephen J. Murphy, United States Attorney for the Eastern District of Michigan, Daniel D. Roberts, Special Agent in Charge of the Detroit Division of the Federal Bureau of Investigation, and Barry McLaughlin, Special Agent in Charge of the Midwest Region of the Office of Inspector General of the U.S. Department of Housing and Urban Development.

U.S. District Judge John Feikens also ordered Wells to pay \$242 million in restitution to investors who purchased MCA's securities before MCA closed its doors in January 1999 and to banks and other institutional lenders who funded MCA's operations, and imposed a three-year term of supervised release, which will begin when Wells' prison term has been completed. Judge Feikens is allowing Wells to voluntarily surrender to the Federal Bureau of

Prisons to serve his sentence.

"Corporate fraud involves a breach of trust and a course of deception that harms investors, employees, and the public at large. This significant sentence and large restitution order should be a warning that our office will vigorously pursue corporate fraud violations, whether the evidence leads to the mail room or the board room. I salute the thorough investigation by the FBI, the HUD Inspector General and the SEC which lead to this successful prosecution," said U.S. Attorney Murphy.

MCA, operating through two wholly-owned subsidiaries based in Southfield - MCA Mortgage Corporation and Mortgage Corporation of America - was a privately held mortgage company that made conventional and sub-prime loans to individual home buyers in Michigan and several other states. MCA was also a mortgage and land contract broker and servicer. In January 1999, MCA collapsed and was placed in a conservatorship by the Michigan Financial Institutions Bureau, which filed a petition for bankruptcy on behalf of MCA the following month. What remained of MCA has been liquidated and the proceeds distributed to creditors under the supervision of MCA's bankruptcy trustee.

MCA raised capital in large part by selling debt and pass-through securities to the general public. Through his guilty pleas before Judge Feikens in July 2002, Wells admitted that from as early as 1993 until its seizure by state regulators in January 1999, MCA engaged in a scheme to defraud its investors and institutional lenders by misrepresenting its true financial condition through the preparation and use of false and fraudulent financial statements that were regularly filed with the SEC and made available to brokers and investors and to banks and other institutional lenders. As the result of paper transactions involving low-income

housing in the City of Detroit between MCA and numerous off-book partnerships owned and controlled by Patrick Quinlan, MCA's former Chairman and CEO, and Wells, millions of dollars in sham assets and revenues were created and included in MCA's balance sheets and statements of income.

In addition, Wells admitted that MCA, through his actions and the actions of others, fraudulently sold through a regional network of broker-dealers certain pass-through securities representing interests in mortgages and land contracts originally owned, and then assembled into investment pools, by MCA. MCA misrepresented to current and prospective investors the actual past performance of the pools; included in some of the pools certain mortgage and land contract interests whose values were fraudulently inflated; and misappropriated, liquidated, and used for its own corporate purposes some of the genuine pool assets. The growing liability to MCA's poolholders caused by this criminal conduct reached tens of millions of dollars and was not reflected, as it should have been, on MCA's balance sheets.

Six other individuals have been charged as a result of the federal investigation of MCA:

- PATRICK D. QUINLAN, of Grosse Pointe Farms, MCA's former Chairman and CEO, pleaded guilty in February 2004 to charges of conspiring and making false and fraudulent statements in corporate financial reports filed with the SEC. He was sentenced in July 2005 by U.S. District Judge Nancy G. Edmunds to 10 years' imprisonment and three years' supervised release and ordered to pay \$256 million in restitution. Quinlan is currently serving his sentence.
- KEITH D. PIETILA, formerly of Ann Arbor, MCA's former Chief Financial Officer,

pleaded guilty in January 2002 to charges of mail fraud and making false statements to the SEC. He was sentenced in May 2003 by Judge Feikens to 48 months' imprisonment and three years' supervised release and ordered to pay \$256 million in restitution. Pietila is currently serving his sentence.

- ALEXANDER J. AJEMIAN, of Highland Township, MCA's former Controller, pleaded guilty in August 2001 to charges of mail fraud and making false statements to the SEC. He was sentenced in June 2003 by Judge Feikens to 37 months' imprisonment and three years' supervised release and ordered to pay \$256 million in restitution. With time off for good behavior, Ajemian has completed serving his term of imprisonment.
- CHERYL SWAIN, of Beverly Hills, MCA's former Vice President for Marketing Syndication pleaded guilty in November 2001 for mail fraud arising from her participation in a scheme to defraud MCA's investors. She was sentenced on February 7, 2006, to 24 months' imprisonment based on a conviction of mail fraud. Swain was also ordered to pay \$65.7 million in restitution to investors who purchased MCA's securities before MCA closed its doors in January 1999. She will begin serving her sentence shortly.
- KEVIN C. LASKY, of Birmingham, the former head of MCA's Special Loan Group, pleaded guilty in May 2002 to a charge of wire fraud. He was sentenced in December 2003 by Judge Feikens to 24 months' imprisonment and three years' supervised release and ordered to pay \$128 million in restitution. Lasky began serving his term of imprisonment in December 2005.

- JOHN P. O'LEARY, of Davisburg, MCA's former Vice President for Corporate Finance, pleaded guilty in August 2005 to the crime of misprision of felony, and is scheduled to be sentenced by Judge Edmunds on February 28, 2006.

Like Wells' sentence, the sentences imposed on Pietila, Ajemian, Swain, and Lasky took into account their cooperation with federal investigators and prosecutors.

The federal investigation has been conducted by the FBI and the U.S. Department of HUD's Office of Inspector General, with assistance from the SEC's Division of Enforcement and the Office of Financial and Insurance Services of the Michigan Department of Labor and Economic Growth. The case is being prosecuted by Assistant U.S. Attorneys Stephen Hiyama and Jennifer Gorland. A related state criminal prosecution of Quinlan, Wells, Pietila, and Ajemian in Oakland County Circuit Court was handled by the Michigan Attorney General's Office.